

**Community “Set Aside” of  
Halibut Charter  
Individual Fishing Quota Shares  
Discussion Paper  
May 30, 2000**

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# Executive Summary

- < National Standard 8 of the Manson-Stevens Fishery Conservation and Management Act directs that “Conservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to (A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts in such communities.”
- < The Oceans Studies Board of the National Academy of Science’s National Research Council (NRC) report on Individual Fishing Quotas, Sharing the Fish: Toward a National Policy on IFQs, concludes “(w)hen designing IFQ programs, councils should be allowed to allocate quota shares to communities or other groups, as distinct from vessel owners or fishermen.”
- < Many smaller Gulf of Alaska communities have yet to develop mature halibut charter businesses. The current “Elements and Options for Analysis” by Council Staff on the halibut charter IFQ issue do not include options allocating, or setting aside, quota share for developing halibut charter fisheries in these fisheries-dependant coastal communities, nor do they address the sustained participation of many Gulf of Alaska communities in the halibut charter fishery.
- < Alaska’s halibut charter industry is relatively new and has experienced rapid growth. Moreover, halibut charter fishermen are concentrated in only a few Alaskan communities.
- < The NRC report cautions that “councils should avoid taking for granted the ‘gifting’ of quota shares to the present participants in a fishery, just as they should avoid taking for granted that vessel owners should be the only recipients of quota and historical participation should be the only measure for determining initial allocations.”
- < Halibut charter IFQs may intensify near shore depletion and could restrict angler options for diverse halibut charter experiences.
- < The community halibut charter IFQ “set aside” would reserve halibut charter quota for use by

residents of a defined class of undeveloped and underdeveloped communities who wish to establish halibut charter businesses. All “set aside” quota not obligated by a date certain would be “rolled back” into the general IFQ pool.

- < Eligible communities are defined by four criteria: 1. located on salt water (coastal); 2. fisheries dependant; 3. remote (no road access); and 4. less than 2,500 people as recorded by the 2000 census. These criteria qualify twelve communities located in halibut management area 3A and twenty-two communities located in halibut management area 2C.
- < A non-profit community development corporation or fisherman’s association would be an appropriate management entity for community halibut charter IFQs. The entity must be inclusive of all residents in qualifying coastal communities, native and non-native alike.
- < The community halibut “set aside” program would be administered by RAM division of NMFS.
- < Communities would be limited in use to approximately 50,000# of “set aside” halibut charter IFQs. Cumulatively the program would be limited to 680,000# of “set aside” halibut charter IFQs.
- < Individuals within communities would be restricted to 10,000# of halibut charter IFQ and further restricted to increments of 2,000# per year for the first five years. Also, individuals could only obtain halibut charter IFQs for 15 years.
- < Since any unused portion of the halibut charter “set aside” is rolled back into the general IFQ pool, sunset provisions are unnecessary.
- < The GOAC<sup>3</sup> proposal for charter IFQ “set aside” quota is a concept for allocating shares that is likely to make the halibut charter IFQ allocations more equitable and successful.

# Problem Statement

National Standard 8 of the Magnuson-Stevens Fishery Conservation and Management Act directs that “Conservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to (A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts in such communities.”<sup>1</sup> Many smaller Gulf of Alaska communities have yet to develop mature halibut charter businesses. The current Elements and Options for Analysis by Council Staff on the halibut charter IFQ issue do not include options allocating, or setting aside quota share for developing halibut charter fisheries in these fisheries-dependant coastal communities, nor do they address the sustained participation of many Gulf of Alaska communities in the halibut charter fishery. Moreover, the current Elements and Options for Analysis do not address the future importance of halibut charter fishing resources to these communities.

## Action Request

The GOAC<sup>3</sup> requests that the North Pacific Fisheries Management Council incorporate this discussion paper regarding a community “set aside” for halibut charter IFQ’s and the draft Elements and Options for Analysis into the Halibut Charter IFQ Elements and Options for Council staff analysis approved at the April, 2000 meeting and currently being reviewed by staff.

## Background

The Council addressed the issue of halibut charter IFQs at its April meeting. Prior to the April discussion, the GOAC<sup>3</sup> presented a concept document outlining a “set aside” of halibut charter IFQ

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<sup>1</sup>16 U.S.C. 1851, Sec 201.

for underdeveloped communities and requested inclusion of the issue in the “Elements and Options for Analysis” currently before the Council. In addition, many halibut charter operators voiced support for a community set aside but some operators expressed concern about the allocation coming exclusively from halibut charter quota.

The Council discussed the issue but raised several questions about under developed communities and indicated that the issue should receive a full review before being considered for analysis. Consequently, the Council directed GOAC<sup>3</sup> to include discussion of undeveloped and underdeveloped community allocations of halibut charter IFQ in its June, 2000, “discussion paper” regarding the larger issue of community ownership and management of IFQs. The Council expressed that “fleshing out the options and issues” associated with community halibut charter IFQ could enable the Council “to fold the issue into the Elements and Options for Analysis”<sup>2</sup> approved at the April meeting.

## **History**

Although the underlying factual justifications for both the community IFQ “buy in” proposal for existing IFQs and the “set aside” of new halibut charter IFQs are similar, the theoretical constructs for solution are quite different. “Buying in” creates issues and concerns that are substantively different from policy decisions and concerns regarding “gifting.” Consequently, for clarity, the two concepts are presented separately.

For several years the North Pacific Fisheries Management Council wrestled with the implementation of a guideline harvest level (GHL) for halibut charter operators. During the February, 2000 Council meeting, a new GHL was adopted. As part of the GHL discussion, charter industry representatives and several Council members suggested an analysis of Individual Fishing Quotas

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<sup>2</sup>NPFMC member Dave Benton

(IFQs) for halibut charter boat operators. Many charter operators believe that the GHL will not provide stable harvest opportunities for the charter fleet but that IFQs could supply halibut charter fishermen with sufficient fish for their clients. The Council subsequently approved formation of a “Halibut Charter IFQ Committee” to review the issue and directed staff that the issue would be “fast tracked.”

The Halibut Charter IFQ Committee was limited to industry representatives with technical advisors from the commercial sector and Alaska’s smaller Gulf of Alaska coastal communities. The committee, in its problem statement, acknowledged that “management actions should recognize the economic and social needs of overcapitalized and undercapitalized communities” and that one aspect of the problem was “lack of growth for public access in terms of accessibility, harvest opportunity and affordability.”<sup>3</sup> The committee discussed suggestions from rural communities that a community-based charter IFQ pool, or set aside, be considered for undeveloped or underdeveloped locations around the Gulf coast.

Just prior to the April Council meeting the Halibut Charter IFQ committee met again to finalize its “Recommendations on Elements and Options for Analysis.” Underdeveloped community concerns, based on probable inequitable IFQ distribution, were further reviewed. While the committee recognized that, given the list of alternatives for review, many communities would be excluded from charter IFQ allocations, they were unwilling to recommend for staff review a concept that might reduce quota share for existing charter operators. Nevertheless, the committee recommended that the issue be included in the Gulf of Alaska Coastal Communities Coalition’s (GOAC<sup>3</sup>) discussion paper regarding community IFQ ownership.

The Advisory Panel (AP) to the Council reviewed the Charter IFQ Committee’s Final Recommendations on Elements and Options for Analysis and discussed at length the concerns of

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<sup>3</sup>Problem Statement, March 22-23, Halibut Charter IFQ Committee Minutes

underdeveloped coastal communities. Much of the AP discussion referenced the National Research Council's (NRC) comprehensive review of IFQ programs, Sharing the Fish, Toward a National Policy on IFQs (Sharing the Fish). The AP, in deference to the NRC report, supported inclusion of underdeveloped communities in the Elements and Options for Analysis as possible recipients of halibut charter IFQ quota.

## **Sharing the Fish**

Because of concerns raised about IFQ type fisheries management,<sup>4</sup> Congress, in 1996 as part of the Sustainable Fisheries Act, imposed a moratorium on new IFQ programs and directed the National Academy of Science's National Research Council (NRC) to study a wide range of questions concerning the social, economic, and biologic effects of IFQs and to make recommendations about existing and future IFQ programs. The Ocean Studies Board of the Academy conducted five hearings and heard testimony from a host of witnesses. Their report, entitled Sharing the Fish: Toward a National Policy on Individual Fishing Quotas (Sharing the Fish) was published in December 1998 and sets forth a number of recommendations and public policy concerns regarding the use of individual fishing quotas.

"After the expiration of the moratorium, Congress requires any council submitting an IFQ program, and the Secretary of Commerce in reviewing that program for approval, to consider this NRC report and ensure that the program includes a process for review and evaluation; ... and to facilitate new entry, especially of those not favored by the initial allocation (Sec. 303 [d][5])."<sup>5</sup> The

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<sup>4</sup>"A number of problems were identified in operative IFQ programs during the committee's work. Prominent among them are concerns about the fairness of the initial allocations, effects of IFQs on processors, increased costs for new fishermen to gain entry, consolidation of quota shares (and thus economic power), effects of leasing, confusion about the nature of the privilege involved, elimination of vessels and reduction in crew, and the equity of gifting a public trust resource." P. 4, Sharing the Fish: Toward National Policy on IFQs.

<sup>5</sup>P. 18, Sharing the Fish: Toward a National Policy on IFQs.

report states: “Councils should consider including fishing communities in the initial allocation of IFQ (as community fishing quotas), where appropriate. The Secretary of Commerce should interpret the clause in the Magnuson-Stevens Act pertaining to fishing communities (National Standard 8)<sup>6</sup> to support this approach to limited entry management.”<sup>7</sup>

The report advises regional councils that they “could avoid some of the allocation controversies encountered in the past by giving more consideration to (1) who should receive initial allocation, including crew members, skippers, communities, and other stakeholders; (2) how much they should receive; and (3) how much the potential recipients should be required to pay for the initial receipt of quota....”<sup>8</sup> and further cautions that “(I)n any fishery for which an IFQ program is being considered, attention should be given to the implications of recreational participation in the fishery and, where appropriate, to potential application of the IFQ program to both commercial and recreational sectors.”<sup>9</sup> Finally, the National Research Council concludes “(w)hen designing IFQ programs, councils should be allowed to allocate quota shares to communities or other groups, as distinct from vessel owners or fishermen.”<sup>10</sup>

## **Halibut Charter Fishery**

The Halibut Charter industry around Alaska’s Gulf Coast is relatively new. Although some fisherman chartered their vessels for halibut fishing prior to 1980, few skippers focused their primary

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<sup>6</sup>16 U.S.C. 1851, Sec 201. “Conservation and Management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to (A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts in such communities.”

<sup>7</sup> P.8, Sharing the Fish: Toward a National Policy on IFQs

<sup>8</sup>P. 9, Sharing the Fish: Toward a National Policy on IFQs

<sup>9</sup>P. 10, Sharing the Fish: Toward a National Policy on IFQs

<sup>10</sup> P. 9, Sharing the Fish: Toward a National Policy on IFQs



fishing efforts on chartering. Limited reporting requirements and various licensing options make it difficult, if not impossible, to accurately track the growth of the halibut charter fishery. Nevertheless, the graph on page 13 of the February 2, 2000 memorandum to the Council regarding Halibut Charter Management, indicates that the number of halibut removed by the recreational fishery (charter and non-charter) increased almost 6 fold in halibut management area 2C and more than 10 fold in halibut management area 3A in the 20 years between 1980 and 2,000. The available data doesn't separate non-charter sport removals prior to 1994. However, in the past 6 years, the non-sport harvest has been almost flat while the charter sector continues to expand.

The growth of the charter industry has not only been rapid, it has also been concentrated in or around a small number of larger coastal communities. In Area 2C, Sitka, Juneau and Ketchikan dominate the industry and in Area 3A the concentration of charter operators is on the Kenai Peninsula and around Valdez.<sup>11</sup> In fact, under the most liberal standard considered for a possible moratorium, these communities accounted for more than half of the possible permits, and it is expected that halibut charter residents from these towns will receive a very high percentage of of any charter IFQs based primarily on historical catch information. Tables 3.6 and 3.14 of the December 1, 1999 EA\RIR suggest that from 1994 through 1998 halibut charter catches for Ketchikan, Juneau and Sitka averaged about 55% of the 2C total catch, and halibut charter catches from Cook Inlet and Prince William Sound averaged about 85% of the total 3A catch.<sup>12</sup>

The recent development of the halibut charter fishery both necessitates regulatory action and illustrates the problems with limiting halibut charter IFQ allocation to historical catch criteria. Sharing the Fish concludes, "Unrestricted harvest by many non-commercial interests, while fisheries are managed for holders of IFQs, presents major management problems that potentially undermine the

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<sup>11</sup>PP. 141-143, EA\RIR Halibut GHL, NPFMC January 10, 2000

<sup>12</sup>PP. 40 & 56, EA\RIR Halibut GHL, NPFMC December 1, 2000

integrity of any IFQ program, particularly when the recreational sector is growing in size.”<sup>13</sup> Yet the study cautions in one of its recommendations that “Councils should avoid taking for granted the “gifting” of quota shares to the present participants in a fishery, just as they should avoid taking for granted that vessel owners should be the only recipients of quota and historical participation should be the only measure for determining initial allocations.”<sup>14</sup>

The NRC’s allocation concerns directly follow the discussion expanding catch history to “reflect the participation not only of individuals and occupational groups, but also of fishing communities. From this perspective, communities may be entitled to initial quota allocations. . . . ‘Community Fishing Quotas’ could contribute to community sustainability in areas that are heavily dependent on fishing for social, cultural, and economic values and/or are lacking in alternative economic opportunities.”<sup>15</sup> In other words, smaller Gulf of Alaska coastal communities dependant on halibut resources for social, cultural, and economic value, even if they don’t yet have a “history” in halibut charter fishing, shouldn’t be excluded from the criteria considered for halibut charter IFQ quota allocations.

One of the concerns raised by the Halibut Charter IFQ committee — lack of growth for public access — also illustrates the need for expanding criteria for halibut charter IFQ distribution. The halibut charter operator provides a “service” to the recreational angler from a specific port or community. Many recreational anglers, without charter operators, cannot access halibut resources. Concentrating halibut charter IFQs in a few communities will substantially limit recreational angler opportunities — both in terms of geography and type of fishing experience . Large portions of areas 3A and 2C will be “off limits” to most recreational anglers because few, if any, charter operators living in these areas will qualify for halibut charter IFQs. Concentrations of recreational anglers create a host

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<sup>13</sup>P. 156, Sharing the Fish: Toward a National Policy on IFQs

<sup>14</sup>P. 9, Sharing the Fish: Toward a National Policy on IFQs

<sup>15</sup>P. 200, Sharing the Fish: Toward a National Policy on IFQs

of problems associated with a different type of race for fish and may well institutionalize the “combat” halibut fishing experience many recreational halibut fishermen try to avoid.

Concentration of halibut charter IFQs in limited geographical areas could lead to, and may have already resulted in, near shore depletion of available halibut in several of these areas. Anecdotal information suggests that Cook Inlet is experiencing depletion problems and, more than five years ago, Sitka identified problems with available halibut in Sitka Sound. Again, distributing halibut charter IFQ primarily on the basis of historical catch only exacerbates existing biological or resource depletion issues. In fact, when gifted IFQs obtain economic value, there may be increased pressure on a relatively few, geographically limited, near shore halibut areas. New entrants may have to fish harder to “pay” for their IFQs and initial issuants may leverage their new found capital to make it “pay.” Providing halibut charter opportunities for communities throughout areas 3A and 2C should help to reduce near shore depletion and will provide recreational halibut fishermen additional opportunities to “get away from the crowd” for a variety of halibut fishing experiences.

## Solutions

Sharing the Fish suggests that in designing IFQ programs and determining quota allocations “(d)ozens of different criteria can be used, each one more or less appropriate and fair, depending on the goals of the IFQ program.” Nevertheless, the report affirms “(d)eciding who should receive quota and how much quota they should receive is a difficult, highly political process as participants in a fishery attempt to ensure their continued participation. The controversy about initial allocations results from at least three factors: (1) the ‘windfall profit’ of initial recipients, (2) the choice of criteria for allocation, and (3) the amount of quota received.”<sup>16</sup> Sharing the Fish further outlines that “(T)here are at least four different ways to allocate scarce resources:

1. The open-access approach;
2. A rule of equal opportunity - through a lottery, a first-come-first-served principle, or a

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<sup>16</sup>P. 140, Sharing the Fish: Toward a National Policy on IFQs

same-for-everyone allocation;

3. The political approach or priority ranking, similar to the triage approach in allocating scarce medical care; and
4. The market device: the scarce resource is distributed to those who are willing to pay the most for it.<sup>17</sup>

GOAC<sup>3</sup> suggests that, throughout staff review of Elements and Options for Analysis in allocating halibut charter IFQs, underdeveloped coastal communities be considered within the criteria for “priority ranking” and that, within these communities, a “first-come-first-served” approach should be considered.

## **The CDQ Model**

Some have suggested that underdeveloped Gulf of Alaska communities be given a halibut charter Community Development Quota (CCDQ) to encourage development of their halibut charter fisheries. Congress currently restricts CDQs to the Bering Sea,<sup>18</sup> Consequently, this approach is not possible within the context of the Council’s halibut charter IFQ initiative.

## **The Community Set Aside**

A community “set aside” is the amplification of an approach outlined on pages 156 and 157 of Sharing the Fish. The NRC discussion outlines opportunities for inclusion of the recreational sector within a limited access management program and, after discussion of a recreational “total allowable catch” (TAC) or “guideline harvest level” (GHL), indicates that “Pearse (1991) recommends allocating the recreational sector an explicit quota to be held on behalf of recreational fishermen by

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<sup>17</sup>P. 141, Sharing the Fish: Toward a National Policy on IFQs

<sup>18</sup>P. 128, Sharing the Fish: Toward a National Policy on IFQs

local government or by organizations modeled after the regional councils. The New Zealand Fisheries Task Force (1992) also recommends that recreational fishermen be allocated a share of the TACs, with establishment of organizations to hold and manage the quota.” Again, “Ackroyd et al. (1990) identify significant problems presented by recreational fisheries and recommend that the recreational sector be placed under a quota, with trusts established to hold and manage the quota (e.g., similar to the “hunting club” or Ducks Unlimited approach).” The idea of a allocated quota, set aside for in a sort of “trust,” although not specifically applied to communities, may well provide the preferred mechanism for addressing underdeveloped communities’ concerns regarding halibut charter IFQ allocations in that it can encourage the development of halibut charter business without creating an entitlement to the resource.

Annually, for each of several management areas, the International Pacific Halibut Commission (IPHC) estimates halibut biomass and determines, within biological limits, total allowable halibut removals. A portion of the removals are allocated to bycatch quotas, treaty obligations, and subsistence fisheries. Additional halibut are set aside for IPHC research, administrative costs, and recreational removals -- both charter and non-charter. The remaining possible removals become the numerical basis for calculating commercial halibut IFQs. The halibut charter IFQ merely moves that portion of the “recreational” removals allocated to halibut charter boats into the “remainder pool” distributed to IFQ holders.

An underdeveloped community halibut “set aside” could be derived in several ways. First, the community development set aside could be allocated as another removal from the total “pool” of available halibut. Second, the community development set aside could be allocated from within the halibut charter portion of the remainder pool, or third, the “set aside” could be funded from a percentage combination of the two approaches. The first approach would assess the community set aside from both commercial and halibut charter IFQ holders while the second approach limits “funding” the set aside to the halibut charter IFQ holders. And the third approach would allow some

balancing of equity between use sectors. With all approaches, a portion of the total annual halibut removals are reserved to remove economic barriers and encourage halibut charter operators in underdeveloped communities.

## **Eligible Communities**

It is difficult to categorize, in advance of the issuance of halibut charter IFQs, the subset of Gulf of Alaska communities whose residents will receive little, if any, halibut charter fishing quota shares. It is simply unknown, at this time, where recipients of halibut charter IFQs reside. Nevertheless, the Halibut GHL EA\RIR indicates that several areas are likely to receive an abundance of halibut charter IFQs while the remainder of the Gulf of Alaska will share in a limited number of initial shares. In our view, a set of four indices — coastal, fisheries dependant, isolated, and under 2,500 residents<sup>19</sup> — leads to a class of communities that is unlikely to receive many halibut charter IFQs and also excludes those areas that have concentrations of halibut charter operators. While these four criteria may not be comprehensive, they clearly define a set of communities that need expanded economic opportunities through additional halibut charter businesses.

With the four criteria of “coastal,” “fisheries dependant,” “remoteness,” and “size,” a defined set of qualifying communities in Areas 3A and 2C would include: Karluk, Larsen Bay, Old Harbor, Ouzinkie, Port Lions, Halibut Cove, Toyonek, Nanwalek, Port Graham, Seldovia, Chenega Bay, Tatitlek, Yakutat, Angoon, Craig, Coffman Cove, Edna Bay, Elfin Cove, Gustavus, Hollis, Hoonah, Hydaburg, Kake, Kassan, Klawok, Metlakatla, Meyers Chuck, Pelican, Point Baker, Port Alexander, Port Protection, Tenakee Springs, Thorne Bay, and Whale Pass. Twelve of these communities are located in halibut management area 3A and twenty-two communities are located in halibut management area 2C.

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<sup>19</sup>See GOAC<sup>3</sup> discussion regarding community criteria in “Community Purchase of Halibut and Sablefish Individual Fishing Quota Shares Discussion Paper.”

## **Appropriate Management Entity Within the Qualifying Community**

When talking about community halibut charter “set aside,” it is important to note that the halibut charter IFQs are not purchased or owned by an entity. Rather, community halibut charter shares are administratively transferred to a management entity within the community on an annual basis for use by individual community members. Ownership — as defined by a right of use that transfers a lienable interest — of the shares is retained by the government “in trust” for qualifying communities.

The community halibut charter “set aside” must be administered within each community and a specific entity within the community must be designated as the “eligible transferee.” If possible, because of the size of many communities, existing governing structures such as municipalities, tribal councils, or ANCSA corporations should be considered. However, each of the existing governing structures is unlikely to provide a good “fit” for administering halibut charter IFQ’s.<sup>20</sup> Consequently, a newly created, or existing, inclusive, non-profit community entity should be considered.

A “new” community entity determining qualification for and distribution of community, charter IFQs would need participation opportunities for all community residents and would consist of individuals knowledgeable about fishing and interested in the community’s use and management of quota share. Non-profit, economic development corporations or fisherman’s organizations are probable options. These entities could focus interested persons on a specific mission — that of managing community fishing quota. It would be inclusive of all community residents, providing input opportunities to all fishermen in the community: subsistence, commercial, and sport fishermen. Board members of the managing entity would be democratically elected with staggered terms and term limits buy all community residents. Moreover, the entity would be limited to a specific percentage of the ex-vessel value of the IFQ, perhaps no more than 10% to cover administrative costs. Again, the focus of

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<sup>20</sup>For an expanded discussion of this point see: GOAC<sup>3</sup> discussion regarding community ownership criteria in “Community Purchase of Halibut and Sablefish Individual Fishing Quota Shares Discussion Paper.”

the program is to pass much of the value from halibut charter IFQs onto fishermen and crewmen in the community.

Administratively, a qualifying community interested in the purchase of quota shares would proceed as follows:

1. Create a community non-profit economic development or fishermen' entity and democratically elect a board of directors;
2. Apply for non-profit status;
3. Post notice within the community regarding availability of halibut charter quota shares;
4. Direct possible halibut charter operators toward qualifications for needed licenses and safety qualifications;
5. Submit an annual transfer request to NMFS requesting transfer of a specific amount of halibut charter quota — in both pounds and fish — for use by designated community individuals.

## **Administration**

The community halibut set aside program would be administered by RAM division of NMFS. Each year, perhaps by January 15, the administrative entity within qualifying communities would submit transfer requests to RAM division verifying qualification criteria and designating qualified individuals, resident in the community, for use of quota share.

## **Roll Over**

Use of halibut charter quota, unlike commercial IFQs, is dependant on client bookings and fishing success. It is important the community “set aside” quota be used and not become a deduction from possible commercial or charter IFQs without benefit. Consequently, individuals wishing to obtain



a portion of the community “set aside” halibut charter quota would need to file application and the administrative entity make its request by a date certain, perhaps January 15 of each year. Any portion of the “set aside” quota that is not allocated by January 30th is then rolled into the general allocation pool for the upcoming commercial and halibut charter seasons.

## **Caps or Limitations**

### **Cumulative Program Cap**

The total amount of halibut charter IFQ “set aside” to develop halibut charter businesses in underdeveloped communities should be capped. It is not necessary for the “set aside” to provide mature halibut charter development for an unlimited number of halibut charter operators in all qualifying communities just as it is improbable that the halibut charter IFQ program will provide all of the halibut that each qualifying charter operator will need. Rather the goal of the “set aside” is to enable a portion of interested individuals in underdeveloped communities to establish successful halibut charter operations and then go on to purchase individual quota. “Set aside” quota no longer used would become available for other individuals or communities.<sup>21</sup> Eventually a number of underdeveloped communities will have individuals that cumulatively used the “set aside” quota to create sustained community participation in the fishery, provide varied and diverse angler halibut fishing opportunities, and mediate depletion problems for communities with concentrations of charter operators — the goals that the Halibut Charter IFQ Committee identified.

Anecdotal information suggests that successful, mature, charter operators average around 500 fish, or 10,000# of fish per season.<sup>22</sup> Some have suggested that communities will remain

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<sup>21</sup>See individual use restrictions

<sup>22</sup>Although with “successful charters” there is a large range based on location, fishing style (catch & release vs. retained) and operation (multiple vs. Single vessel), this estimate is based on an average of 3 clients per day with a catch rate of 5 fish per day for a 100 day season. Gross earnings are estimated at \$450.00 per day with

underdeveloped if less than five charter operators resident in the community have obtained a level approximating this magnitude of success. Again, it is unnecessary for the “set aside” program to provide halibut charter IFQs equal to all present and future community halibut charter development needs. The proposed community halibut charter “set aside” program is designed to reduce the economic barriers associated with IFQ’s and thereby encourage some community members in some qualifying communities to develop halibut charter businesses. Perhaps each community should have opportunity for at least two residents to obtain the 10,000# production standard or, if the community chooses, have the opportunity to divide a community “set aside” of 20,000# between several community charter boat operators. With thirty-four qualifying communities, this would amount to 680,000 pounds or \_\_\_\_% of the proposed halibut charter GHL as the cumulative program cap. The community “set aside” should be defined as a percentage of the TAC.

## **Community Caps**

When considering a program cap, the assumption is that all communities may choose to participate in the halibut charter IFQ “set aside” and therefore must be limited by some minimum amount. In contrast, when looking at limitations on individual communities, the perspective is to view the community as a single economic unit and determine a benchmark quantity that will provide enough halibut charter “set aside” quota to grow a mature halibut charter business in the community — sort of a maximum justifiable need. Again, the equivalent of five mature halibut charter operations, or 50,000# of halibut charter IFQs, may be sufficient to move a community from undeveloped or underdeveloped to having a halibut charter economic base. Therefore it is suggested that the individual community cap be 50,000#.

Each community applying for charter IFQ “set aside,” if the individual qualification criteria are met, would be guaranteed a minimum of 20,000# of halibut charter IFQ quota. However, if fewer

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season total of \$45,000.

than the 34 qualifying communities apply to participate in the program or request less than 20,000# for qualified individuals, the remainder of the “set aside” would be available in a common pool for communities which qualify individuals for more than their 20,000# guarantee. Communities qualifying for more than their 20,000# guarantee would share any remainder proportionally — based on qualified individuals in the community.<sup>23</sup>

## Individual Caps

Allocations within each community should be determined by the administrative entity on a community-by-community basis. The administrative entity must guarantee that every “qualified” individual in the community is eligible to receive halibut charter “set aside” quota. In addition, the following guidelines should be considered. First, no individual should receive more than 10,000# of halibut charter quota --- inclusive of any privately owned.<sup>24</sup> Second, first year applicants would be issued no more than 2,000# of halibut charter quota and no more than 2,000 of quota for each successive year — up to the 10,000# total. (Halibut charter poundage needs are based on clients and halibut charter client bases take years to develop. Increasing quota proportionally over a five year period allows for the steady growth of the individual’s halibut charter business.) Third, unused quota from the previous season, if more than 10% of the requested amount, is deducted from the charter operators’ current individual allocation. (This “truth tests” individual quota requests.) And fourth, no individual can receive halibut charter quota for more than fifteen years.<sup>25</sup> Given these restrictions,

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<sup>23</sup>For example, thirty two communities apply for the program and qualify for 20,000# each leaving 40,000# uncommitted. In addition, community A qualifies for 30,000, community B qualifies for 50,000# and community C qualifies for 100,000#. Community C is limited to 50,000#. Nevertheless, there is only 40,000# to distribute and 70,000# in excess qualification. Consequently community A would receive 1/7 of 40,000# and communities B and C would each receive 3/7 of 40,000#.

<sup>24</sup>With the 20.7# average charter caught fish this amounts to about 5 fish per day for 100 days.

<sup>25</sup>The 15 year period is suggested as a reasonable time period for encouraging individuals to invest in halibut charter IFQs. The first 5 years are capital intensive as the halibut charter operator builds the business. It is reasonable to expect for the remaining 10 years that 10% of the value of the IFQs harvested would be annually re-invested in individually owned IFQs.

applicants would receive the full amount requested, if available from their community allocation. If individual applicant's requests exceed the community allocation, their shares are reduced proportionally.<sup>26</sup>

## Sunset

The purpose of a community "set aside" of halibut charter quota shares is to remove an economic barrier for residents of under developed communities to participate in the halibut charter industry. It is expected that, as individual charter operators establish themselves, the economic barrier for quota share purchase will lower and individuals will purchase available quota shares. Cumulatively, this trend could eliminate communities from "qualifying" individuals to obtain "set aside" shares. However, since uncommitted quota rolls into the larger IFQ pool there would be no net loss to the fishery. Therefore, it seems unnecessary to sunset the program. On the other hand, if a sunset provision were considered, perhaps a 20 year provision might accelerate community development of halibut charter businesses.

## Conclusion

The community based halibut charter IFQ "set aside" provides equity and opportunity to communities that have not yet developed mature halibut charter businesses. In addition, inclusion of communities in this new "IFQ" program will further the recommendations of the National Resource Council and strengthen the entire IFQ management approach. As suggested in Sharing the Fish, Toward a National Policy on IFQs, "It is reasonable to conclude that IFQ programs are more likely

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<sup>26</sup>For example, a community is awarded 20,000 pounds of set aside halibut charter quota and has 4 applicants for quota share. The first applicant is a first year charter operator requesting 2,000 pounds, the second applicant is a third year charter operator requesting 6,000 pounds, the third applicant is a five year charter operator requesting the full 10,000 pounds and the fourth applicant, also a five year charter operator, requests 10,000 pounds of quota but last season he failed to use 2,500# of quota so currently only qualifies for 7,500#. Total quota requested is 25,500# but the community is limited to 20,000#, consequently the first applicant will receive  $(2,000 \times 20,000/25,500)$  or 1,569# of quota, the second applicant  $(4,000 \times 20,000/25,500)$  or 3,173# of quota etc.

to be successful if representatives of the relevant fishing communities have been active participants in devising the program and/or if such communities are themselves recipients of IFQ shares and are left to devise their own procedures for allocating these shares and monitoring their use.<sup>27</sup> The GOAC<sup>3</sup> proposal for a charter IFQ encourages new, geographically diverse, entrants into the halibut charter industry and will help provide for the sustained participation of fisheries dependant communities in harvesting halibut resources. Moreover, it may serve to reduce the adverse economic impacts to such communities created by the concentration of halibut charter IFQs in a few larger towns. Finally, the “set aside” enables individuals to establish halibut charter business but is clearly not an entitlement and it cannot be leased or leveraged for economic gain.

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<sup>27</sup>P. 180-181, Sharing the Fish: Toward a National Policy on IFQs

# **Community “Set Aside”**

## **Halibut Charter IFQs**

### **Draft**

## **Elements and Options For Analysis**

- (1) Halibut IFS Community Assistance Model:
  - (a) Gifting of Halibut Charter IFQs to qualified community administrative entity. (CDQ model)
  - (b) Gifting of Halibut Charter IFQs to individuals within qualified communities
  - (c) Halibut charter IFQ “set aside” for use by qualified communities
  - (d) Co-management of local area Halibut Charter IFQsSuboption 1. Turf fishery for Halibut Charter IFQs
  
- (1) Eligible Communities:
  - (a) Rural communities with less than 2,500 people in the Gulf of Alaska with direct access to saltwater.
  - (b) Rural communities with less than 2,500 people in the Gulf of Alaska, no road access to larger communities, and with direct access to saltwater.
  - (c) Rural communities with less than 2,500 people in the Gulf of Alaska, no road access to larger communities, and with direct access to saltwater, and a documented historic participation in the halibut fishery.
  - (d) Rural communities with less than 2,500 people in the Gulf of Alaska, no road access to larger communities, and with direct access to saltwater, documented historic

participation in the halibut fishery.

Suboption 1: Include a provision that the communities must also be fishery dependent.

Fishery Dependence can be determined by:

- (a) Fishing as a principal source of revenue to the community
- (b) Fishing as a principal source of employment in the community (e.g., fishermen, processors, suppliers)

The relative importance of fishing to a community can be estimated by looking at other sources of revenue and employment and comparing those sources to fishing activities in the community

Suboption 2: Decrease community size to communities of less than 1,500 people.

Suboption 3: Increase community size to communities of less than 5,000 people.

3) Appropriate Administrative Entity within the Qualifying Community

- (a) Existing recognized governmental entities within the communities (e.g., municipalities, tribal councils or ANCSA corporations)
- (b) New non-profit community entity
- (c) Aggregation of communities parallel to the “CDQ groups”
- (d) Combination of the entities

Suboption 1: Allow different ownership entities in different communities depending on the adequacy and appropriateness of existing management structures.

(4) Administrative Oversight

- (a) Require Submission of detailed information to NMFS prior to being considered for eligibility as a community halibut charter IFQ recipient.

- (b) Annual requests to RAM division regarding qualifications for transfer of quota and amount of halibut charter quota for use by administrative entity.
- (c) Require Submission of an annual report detailing accomplishments.

(5) Roll Over

- (a) Rollover of unrequested quota prior to commercial and halibut charter IFQ allocations
- (b) “Bank” unrequested quota for future use
- (c) Unrequested (and unfished) quota is added to following year biomass estimate

(6a) Use Caps Cumulative Caps for all Communities

- (a) 3% of the combined 2C and 3A Total Allowable Catch (TAC)

Suboption 1: 2% of the combined 2C and 3A Total Allowable Catch (TAC)

- (b) 10% of initial issuance of halibut charter IFQs

Suboption 1: 15% of initial issuance of halibut charter IFQs

- (c) Fixed quota amount equal to 20,000# for each qualified community

Suboption 1: Fixed quota amount equal to 30,000# for each qualified community

(6b) Use Caps: For Individual Communities

- (a) Proportional amount, based on total qualifying communities, of total “set aside” cap.

Suboption 1: Proportional amount, based on total participating communities, of total “set aside” cap.

- (b) 50,000# per community

Suboption 1: 30,000# per community

Suboption 2: 20,000# per community



(c) 1/10 of 1% of 3A and 2C Total Allowable Catch (TAC)

Suboption 1: 2/10 of 1% of 3A and 2C Total Allowable Catch (TAC)

(6c) Use Caps: For Individual Halibut Charter Operators

(a) Use cap of with range of 5,000#, 10,000# or 15,000#

(b) Use cap of no more than 2,000# per year for each year of operation – up to total individual cap

Suboption 1: Use cap within range of 1,500# - 2,500# per year for each year of operation - up to total individual cap

(c) Deduct unused quota, if more than 10%, from next year individual allocation

Suboption 1: Deduct unused quota, if more than 5%, from next year individual allocation

(d) Individuals are limited to no more than 15 years participation in the program

(7) Sunset Provisions

(a) No sunset provision

(b) Review program after 5 years and consider sunsetting program if review reveals a failure to accomplish the stated goals.